

Mayor's Infrastructure Finance Committee Issues to Be Addressed

3-20-03

BACKGROUND. Much work has been accomplished in our Mayor's Infrastructure Finance Committee (MIFC), its Working Groups, and by the City's staff to research, to engage in creative problem-solving, and to strive for consensus around alternative approaches. We are now nearing the phase of the MIFC's work where we must attempt to pull all this material together into a final MIFC report.

At the outset of our discussions in the MIFC, the committee indicated it wanted, if possible, to operate by consensus. Developing a consensus within a group that has diverse perspectives, like the MIFC, takes time and commitment. It is frequently helpful if the participants share with the group the broader values and perspectives upon which they will be basing their decisions. Several MIFC members came to this committee with the dual objectives of helping the city find ways to meet its infrastructure needs, and seeking to control the costs and minimize any adverse impact on existing neighborhoods. In the spirit of helping to advance our consensus seeking process, we offer the committee the following outline of principals and concerns that we, as a group, will be considering as we review draft report and recommendation ideas. Of necessity, many of our discussions and deliberations up to this point have focused on nitty-gritty details. Given the fast approaching deadline for our report, we feel it is now timely to begin a sharing and discussion of the larger picture considerations and principals.

GENERAL PRINCIPALS

Maintenance of Existing Neighborhoods Highest Priority. If the residents of existing neighborhoods are to be asked to pay higher taxes and/or fees to support infrastructure development, the highest priority should be to first define and meet the infrastructure rehabilitation and maintenance needs of those existing neighborhoods before resources from those neighborhoods are diverted to support new development on the city's outskirts.

- Part of the original charge of MIFC was, "...maintenance of existing facilities should be given primary consideration, followed by projects of broad community benefit, and finally, infrastructure improvements that further planned urban growth."
- Allan Abbott has indicated that under the current CIP the city is "treading water" and "doing what we can afford" on existing street maintenance and rehabilitation. Unfortunately, within the process followed so far by the MIFC and its Working Groups, we have not pursued a cost estimate for what it would take to go beyond "treading water" on existing street maintenance and rehabilitation despite an earlier request for that analysis (*12-12-02 meeting notes, page 9*).
- Many of the cost savings or cost deferrals proposed by the Cost Savings/Efficiency Work Group have the potential to adversely impact existing neighborhoods, as a way to free up resources to support development on the city's outskirts.

Those Who Benefit Most Pay the Most. To address the current infrastructure financing gap and to reduce the likelihood of future gaps, we support the principal that the city's public finance policy should evolve toward a situation where most of the infrastructure costs directly related to new development (streets, water and waste water, and parks) are ultimately paid by those who benefit the most from that development. Therefore, we believe the MIFC's final report should include:

- An overt statement that this report includes and supports the use of impact fees as a critical component of future infrastructure financing and that these recommendations are null and void if impact fees are reversed.
- Serious consideration of further impact fee increments beyond initial five-year increments as part of the overall financing package.

Public Accountability for Taxes and Fee Increases. If the general taxpayer is to be asked to bear a significant increase in the costs of supporting infrastructure development, either through increased taxes or fees, it should be done in a transparent manner with public accountability and consent ensured through public votes on discretely defined projects. Consistent with our desire for public accountability through the ability to vote on discretely defined projects, we oppose packaging together votes on bonds to finance street projects on the outskirts of the city with those to finance street widening on existing streets. These are discrete public policy issues that involve very different sets of issues and considerations and as a matter of accountability, should not be combined into a single bond issue.

Pacing the Rate of Growth to Help Close Financing Gap Must Be an Option Considered.

Key working assumption #1 in the MIFC's charge states, "The City County Comprehensive Plan shall serve as the committee's framework for the *assumed future rate of population growth, the direction of growth, and the phasing of growth*" (Italics added). The amount of land to be serviced is specifically not referenced. The 1.5% rate of growth can easily be accommodated using the current suburban development density in less land than is indicated in the plan. Attempting to serve all of this area artificially inflates the infrastructure needs and increases the financing gap. Failure to recognize and discuss this is an error compounding an error. Additionally, simple population growth analysis shows that significantly more than half of the population growth occurs in the latter half of the planning period. Therefore it is fiscally prudent to phase in improvements on a timeline that more closely matches actual growth needs. This would either defer more improvements into the back half of the planning period, or stretch out the phasing to make the yearly gap smaller.

At the beginning of this process, and several times throughout, several committee members have urged that this consideration should be part of the committee's deliberation. The response has been that we will consider this issue towards the end of the committee's process. The committee is now nearing the end of its process. Before we can support recommendations that may substantially increase taxes and/or fees as a way to close the projected infrastructure financing gap we feel this issue must be addressed. Slowing the phasing of improvements must be part of the range of options under consideration for closing the infrastructure financing gap.

Consideration of Impact on Broader Community. In our efforts to address the infrastructure financing gap, the MIFC Working Groups have usually defined their problem-solving tasks very narrowly and have resisted efforts to step back and take a look at the bigger picture of our community and its needs. It is our opinion that the MIFC needs to measure any recommendations against broader community concerns as we develop our final report. Among those concerns are the following:

- What is the nature and magnitude of any impact of proposed fee and/or tax increases on the major employers and/or institutions in our city (i.e., the University and water and wastewater rates)
- If the residents of Lincoln pass major bond issues for water and wastewater or streets, are they less likely to pass bonds for other quality of life needs such as schools, sidewalks and trails, community centers?
- If we raise the gas tax to increase the revenue available for streets, should we also not consider recommending consideration of a one-cent increase in the gas tax to support the development of public transportation and thereby reduce the future need for more streets?

OTHER CONSIDERATIONS AND CONCERNS

Process. The committee and its working groups have done a tremendous amount of creative work in a relatively short period of time. However, in the course of this rapid creative process, assumptions have sometimes been made that may or may not get clearly brought forward with the product of that process. As the MIFC considers its final report, it is important that we are sensitive to, and inquire about, those assumptions.

Example 1. In the Finance Working Group, the question was asked of the Public Works Department and the city's bonding experts whether it would be possible to close the financing gap with bonding based on a series of rate increases. This question was asked in the spirit of creative problem-solving. The response was "yes", that this was probably a workable approach and sufficient bonding was probably possible under this hypothetical scenario. A spreadsheet was developed to illustrate how this might work. This spreadsheet was then forwarded as an example to illustrate how bonding might be used to close the financing gap for water and wastewater. It is important to note that the Finance Working Group never voted on the merits of that specific approach of supporting bonding via rate increases, nor were other means of supporting those bonds considered. The MIFC must review this assumption against the full spectrum of suggested tax and rate increases, and the full range of financing alternatives.

Example 2. Also in the spirit of problem-solving, the Public Works Department was asked to draw up a list of street projects within the boundaries of the existing city that might be deferred as part of an overall costs savings/deferral efforts. The Public Works Department responded with such a list (\$90 million in possible deferrals). This brainstorming list of possible deferrals has become part of the current calculations for the size of the overall street funding gap. The MIFC committee should discuss the advantages and disadvantages to the existing city before it passes this list on as part of its report. At a minimum, this list should be reviewed relative to our committee's charge, which stated that "...maintenance of existing facilities should be given primary consideration, followed by projects of broad community benefit, and finally, infrastructure improvements that further planned urban growth."

SUMMARY

In our role as overall steering committee, it is crucial that we engage in a thoughtful and thorough discussion of the information provided by the workgroups. We must also pursue due diligence in drafting a final package that is not simply a pasted-together series of reports, but instead a well-considered recommendation. This will require the broad perspective represented by the entire committee, and a complete discussion of the financial and quality of life impacts on the existing and future residents of Lincoln.

Respectfully submitted for your consideration,

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